

FACT SHEET

PRELIMINARY COMMITMENTS

WHAT IS A PRELIMINARY COMMITMENT?

The Preliminary Commitment (PC) is an offer of Ex-Im Bank's medium- or long-term financing subject to the award of the export contract and Ex-Im Bank's review of a Final Commitment (AP) application. For most export transactions where a sales contract has not been signed, Ex-Im Bank's Letter of Interest (LI) should be requested.

PC APPLICATION CRITERIA

The following are the circumstances in which Ex-Im Bank will accept a PC application:

- P** If the award of the export contract is subject to a *formal competitive bid process* in which there is clear evidence that an *actual quote of the definitive rates, fees, terms, and conditions* of Ex-Im Bank support must be presented;
- P** If the exports are to be used in the physical operation of a *nuclear facility*. (An LI is not available.);
- P** If the applicant requests resolution of critical financial, technical, environmental, or policy issues which would have a critical impact on the availability of Ex-Im Bank support, Ex-Im Bank will accept an application for a PC only if it determines that the issues are significant enough to warrant Ex-Im Bank's review prior to the award of the export contract.

HOW TO APPLY

Any responsible party may apply for a PC. The applicant for a PC is usually the U.S. exporter or an advisor representing the exporter. A foreign buyer or borrower may also apply for a PC. In order for Ex-Im Bank to perform the necessary review of program and credit issues required to issue a PC and specify an exposure fee, the *PC/AP Application* must be completed.

Examples of case-specific issues include: economic impact on U.S. production; environmental impact of the project; and credit review of the borrower (and guarantor, if any). Ex-Im Bank will issue a PC subject to final review of outstanding issues when information is not available at the PC stage. However, Ex-Im Bank will require sufficient information on the borrower (and guarantor, if any) in order to establish a specific exposure fee.

OPTIONS

The applicant has two PC options: a four-month PC with a cap on Ex-Im Bank's direct loan interest rate or a six-month PC with no interest rate cap. The terms and conditions of the PC are valid for four months or six months, depending on the option selected. At the request of the applicant, the PC can be renewed at four-month or six-month intervals, but the terms are subject to change. Large aircraft transactions are not eligible for the four-month PC option with the interest rate cap. All PCs for large aircraft transactions will continue to be valid for six months and can be renewed at six-month intervals, but the terms are subject to change. PCs are not available for credit guarantee facilities.

PC PROCESSING FEE

The PC processing fee is 1/10 of one percent of the requested amount of the financing (excluding the exposure fee), up to a maximum of \$25,000. A PC processing fee must be paid by each applicant even when more than one U.S. exporter is competing for the same export sale.

PC PROCESSING FEE REBATE

If and when an AP is approved by Ex-Im Bank, the PC processing fee (minus the \$100) will be rebated. If a U.S. exporter wins the export sale, all U.S. exporters competing for the same transaction get the PC processing fee back, less \$100. When all the U.S. exporters competing for the same transaction lose the export sale, Ex-Im Bank will rebate the difference between the PC fees collected and the average PC processing fee paid. In effect, Ex-Im Bank will have retained only one PC processing fee when more than one U.S. exporter is competing for the same export sale. See rebate examples below.

If Ex-Im Bank approves a PC with a tied aid offer, it will immediately refund the PC processing fee, less \$100, regardless of whether the exporter eventually wins or loses the export contract.

REBATE PROCEDURE FOR MULTIPLE PC APPLICATIONS

Example #1:

<u>Exporter</u>	<u>Financed Amount</u>	<u>PC Fee Paid</u>
A	\$ 40,000,000	\$ 25,000
B	43,000,000	25,000
C	48,000,000	25,000

One exporter wins and an AP is approved. Each exporter receives a fee rebate of \$24,900.

All exporters lose. Ex-Im Bank retains \$25,000 (average fee paid). Each exporter receives a fee rebate of \$16,567 (1/3 of \$50,000, less \$100).

Example #2:

<u>Exporter</u>	<u>Financed Amount</u>	<u>PC Fee Paid</u>
A	\$11,000,000	\$11,000
B	12,000,000	12,000
C	13,000,000	<u>13,000</u>
		\$36,000

One exporter wins and an AP is approved. Exporter A receives a fee rebate of \$10,900, Exporter B receives \$11,900, and Exporter C receives \$12,900.

All exporters lose. Ex-Im Bank retains \$12,000 (average fee paid). Exporter A receives a fee rebate of \$7,233 (11/36 of \$24,000, less \$100), Exporter B receives \$7,900 (12/36 of \$24,000, less \$100), and Exporter C receives \$8,567 (13/36 of \$24,000, less \$100).

MORE INFORMATION

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